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IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

No. 1376

STOKES & SMITH COMPANY,

Petitioner,

v.

TRANSPARENT-WRAP MACHINE CORPORATION,

Respondent.

BRIEF FOR RESPONDENT OPPOSING PETITION FOR WRIT OF CERTIORARI

R. MORTON ADAMS
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The petition presents two questions:

The first question is nothing more nor less than the question previously decided by this Court on identically the same record—it constitutes merely an attempt to secure a reargument in this Court under the guise of reviewing the decision of the Court of Appeals on remand.

The second question is presented only incidentally and, according to petitioner's own statement, is not urged as having sufficient importance to warrant certiorari (Petition, p. 18).

The First Question Again Brings up the Per Se Legality of Paragraphs 11 and 12 of the Agreement.

On the earlier review of this case by this Court, the question presented for decision was the legality of Para-

graphs 11 and 12 of the agreement whereby present petitioner covenanted to assign improvement patents to respondent. This Court held the provisions to be *per se* legal. Noting that such a covenant might be used improperly as part of practices violating the anti-trust laws as in the *Hartford-Empire* case,* without examining the testimony and exhibits, remanded the case to the Court of Appeals, saying (Pamphlet Opinion, p. 11**):

> "The District Court found no violation of the anti-trust laws in the present case. The Circuit Court of Appeals did not reach that question. Hence it, as well as any other questions which may have been preserved, are open on our remand of the cause to the Circuit Court of Appeals."

On remand, the Court of Appeals, composed of the same three judges who had previously divided on the question of legality, ordered further briefs and argument. After consideration thereof, it unanimously held that, on the facts of this case, no violation of the anti-trust laws existed.

The court stated:

> "The plaintiff asserts that two questions 'have been preserved': (1.) Whether a violation of the Anti-Trust Acts is not disclosed upon the record; (2.) whether the eleven patents of which the district judge directed the transfer were not within the terms of the Twelfth Article of the contract.

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* *Hartford-Empire Co.* v. *United States,* 323 U. S. 386 (1945).

** In referring to the opinion of this Court, we refer to the pamphlet opinion as distributed by the Clerk in view of the fact that the official report is not yet available. Other citations are: 91 L. Ed. 451; 67 S. Ct. 62; 72 U. S. P. Q. 148.

> "In answering the first of these we are confined to the four corners of the contract, for the record contains nothing else that is relevant" (R. 334).

After discussing specific contentions of petitioner with respect to the contract, the Court concluded:

> "* * * upon the record as it comes to us, no restraint of trade appears—to say nothing of any 'unlawful' restraint" (R. 336).*

Petitioner, realizing that there is nothing in the decision of the Court of Appeals warranting review, dresses up the question of legality of Paragraphs 11 and 12 to make it appear to be different than when it was previously presented, *and urges exactly the same arguments of public policy that it did before on exactly the same record.* Now the arguments include a reference to the anti-trust statutes, whereas previously they referred to the public policy embodied in the anti-trust statutes. There is no other difference whatsoever; neither then nor now, does petitioner assert any practice or agreement that is not found within the four corners of Paragraphs 11 and 12 (R. 99-100).

In attempting to phrase a question which will appear to be different, petitioner phrases one that is not presented by the record. Statements are included which would make it appear that a violation of the anti-trust law exists—but the discussion in petitioner's own brief makes it clear that such statements are made with tongue in cheek. For example, the statement that respondent's patents "are asserted to dominate completely 'a part of

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* The Court incidentally held that, although petitioner had made a suggestion upon the argument that the case might be reopened, there was no justification for so doing. Petitioner did not then, and does not now, suggest any additional facts that might, even possibly, be adduced.

the trade or commerce among the several States or with foreign nations' " is not true, and petitioner's brief (p. 13) reveals that the statement means only that "it, [respondent] alone, was engaged in the manufacture of packaging machinery of the type represented by the Zwoyer patents"—the only "part of the trade" referred to is the very invention which the Zwoyer patents were granted to protect. Also, that part of the question which represents that respondent is attempting "to create and perpetuate a pool of all subsequent patents relevant to the particular art originating in the only manufacturers comprising the art" is not true and is revealed by petitioner's brief to refer only to Paragraphs 11 and 12 of this particular agreement, only inventions originating with petitioner and, moreover, only those which are applicable to and useful with Zwoyer's Transwrap Packaging Machine. These are merely the facts previously before this Court!

Petitioner's present contentions, making specific reference to the anti-trust laws, are advanced wholly to serve as a vehicle for repeating the arguments previously made in this Court. Petitioner says Section 2 of the Sherman Act is violated because Paragraph 12 requires transfer of later made inventions and that this will extend the monopoly—but this argument was specifically overruled by this Court (Opinion, pp. 5-6). Petitioner says Section 1 of the Sherman Act is violated because such a "double monopoly" illegally restrains trade—but this argument was specifically overruled by this Court (Opinion, 7, 9). Petitioner says that the same is true of foreign trade—but the only inventions to be transferred for foreign patenting are those to be transferred in the United States for United States patenting as was apparently recognized by this Court in its footnote (Opinion, p. 2).* Petitioner

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* Paragraph 11 (R. 99, fol. 297) explicitly states that, "such right to use and enjoy *such Patents or inventions* shall be exclusive only with regard to their use in Transwrap Packaging Machines". The only exclusive rights are patent rights. (Emphasis ours.)

further says that Section 3 of the Clayton Act is violated because Paragraphs 11 and 12 are tying clauses which lessen competition—but this argument was specifically overruled by this Court (Opinion, p. 7). Petitioner finally urges that such clauses should be declared illegal because they *might* be used to violate the anti-trust laws, but this was specifically overruled by this Court (Opinion, pp. 8-11) in favor of the sounder rule of treating violations of the anti-trust laws on their facts when they arise.

It is evident that the questions now presented are the same in every essential respect with the contentions advanced when the case was previously before this Court—both then and now the whole contention is based on Paragraphs 11 and 12 of the agreement without any assertion that there are any other practices which could be relied on in support of the argument of illegality. Both then and now the argument was based on public policy including the public policy of the anti-trust laws. This Court previously held that the provisions were *per se* legal and left it open for the Court of Appeals to determine whether the record disclosed any practices violating the anti-trust laws.

The Court of Appeals has held, on the record, that there is no evidence of violation of the anti-trust laws.

In so holding, the Court of Appeals unanimously affirmed the finding of fact and conclusions of law of the Trial Court and there is no novel question, no conflict and no public interest warranting review by this Court.

The Second Question is One of Fact on Which the Court of Appeals and the District Court Concurred in Holding the 11 Patents Are Within Paragraph 12 of the Agreement.

In its second question presented to the Court of Appeals, on remand and reargument, petitioner raised a question as to whether the 11 patents were improvements suitable for use with and applicable to the Zwoyer machine and hence within Paragraph 12. The Court noted (R. 336, fol. 348), that Zwoyer, the only witness, testified that the disclosures

of the 11 patents were improvements upon his machine and were suitable for use in connection therewith and that the District Court so found. The Court declined to examine the details of these complicated patents to determine whether the trial court's finding and Zwoyer's testimony were erroneous. Most of the patents actually refer to the Zwoyer patent and the Court noted that (R. 336):

> "* * * the disclosures are all on their face very closely akin to the Zwoyer machine, and it does not appear to persons inexpert in the subject that they are not 'improvements' upon that machine, or are not 'suitable for use in connection with' it"* (R. 336).

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* Patent 2,199,708 shows the actual Transwrap machine in the drawings and in the specification states (R. 150, second column, line 54): *"In general, the machine is of the type disclosed in United States Zwoyer Patent #1,986,422."*

Patent 2,200,971 also illustrates the Transwrap machine in the drawings and states in the specification (R. 165, second column, line 29): *"* * * which machine is generally similar to that shown in Zwoyer U. S. Patent # 1,986,422 * * *."*

Patent 2,257,433 states in the specification (R. 176, second column, line 39): *"As illustrative, but not limitative of methods and apparatus in or to which my methods and apparatus are utilizable or applicable, reference may be had to United States patents to Zwoyer No. 1,986,422 * * *."*

Patent 2,259,866 states (R. 195, second column, line 42): "* * * to form a succession of containers * * * *all as more fully described in Zwoyer U. S. Patent No. 1,986,422."*

Patent 2,260,064 states (R. 206, second column, line 55 *et seq.*): *"* * * machines suitable to perform aforesaid steps as shown in Zwoyer Patent No. 1,986,422 * * *."*

Patent 2,294,215 illustrates the Transwrap machine in the drawings (R. 214, Fig. I) and in the specification (R. 216, first column, line 55 *et seq.*) states: "* * * shaped into tubular form by the tools 4 and 5, of *construction more fully disclosed in Zwoyer U. S. Patent No. 1,986,422 * * *."*

Patent 2,294,220 states (R. 223, second column, line 23): "The seal or seam S may be formed by a heated pressure—applying roll 2 during feed of the webbing, *generally as shown in Zwoyer Patent No. 1,986,422 * * *."*

The petitioner also raised the question as to whether the improvements came within the provisions of Paragraph 12 in view of the fact that some of the claims of the patents called for a "filling" operation. The Court overruled this contention on two grounds—*first* that the claims were statements framed by petitioner itself and could not bind respondent or the Court as to the true nature of the inventions, and—*second,* that even if a filling operation were a part of the inventions, the inventions were nonetheless within the meaning of Paragraph 12. The Court said (R. 337):

> "There are two answers. First, the claims which *the plaintiff* secured from the Patent Office are wholly irrelevant; it had no right to take them out at all, for by doing so it deprived the defendant of a right which the contract gave it. * * * Second, even if this were not true, the exception [from the assignment clause] did not cover a machine which filled, as well as made and closed the package." (Italics ours.)

The holding of the Court of Appeals affirmed the finding of fact of the trial court. As pointed out by the petition itself (p. 18), the question presents no independent ground for certiorari and is included only for possible consideration in the event the petition is granted with respect to Question No. 1.

Conclusion

Neither Question 1 nor Question 2 presents any matter warranting review by this Court, and the petition should be denied.

Respectfully submitted,

R. Morton Adams,
Counsel for Respondent.